

Do the Numbers Limited
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19th May 2017

Karen Ross, Locum Clerk
Julie Cleeve, Finance Clerk
New Alresford Town Council
The Avenue, Alresford
Hants
SO24 9EP

Dear Karen and Julie,

Subject: Review of issues arising from Internal Audit year ended 31 March 2017

Please find below the final list of matters arising following my visits during the year.

The list is long but the issues at NATC have been some years in the making and will take time to resolve. It is essential that past, current and future members of the council pull together to support current and future officers to work for the benefit of the whole community and improve governance and accountability.

Control area	Issue	Recommended Action
Confidential minutes	The council has, by necessity had to use confidential minutes frequently in 2016/17. Great care should be taken to minimise their use where possible.	The nature of the confidential business should always be outlined in the public minutes. Confidential minutes should never be used for awarding of contracts.
Minute filing	It is a requirement of the transparency code that draft minutes are uploaded within a month of every meeting.	For those committees that meet rarely, the draft minutes should be printed and filed and the web upload done in a timely manner.
Committee Structure	At present some of the committees of the council are inquorate, and the clerk is a locum.	It may be worth running as much business as possible through full council and then restarting the committees in the autumn.
Cancelled meetings	Due to lack of staff and members, some planned meetings have recently not been held.	All cancelled meetings should be clearly marked as such on the website – with appropriate reasons.
Unbudgeted expenditure	The council has continued to commit to expenditure without clear reference to the budget available.	Capital items, grants and replacement items should be deferred if the budget is fully spent.

Purchase invoices	Some of the invoices on file are addressed to Councillors at their home addresses rather than the RFO at the office. This is not good practice.	The council should only pay (and reclaim the VAT relating to) invoices addressed to the office.
Budget monitoring	The council does not appear to carry out budget monitoring at all.	The budget should be loaded onto the Sage system without delay and incorporated into all finance reporting.
General Reserves	The reserves of the council are – and have been for the last 8 years – significantly below the guidance.	The council should look at both income and expenditure to set a budget to bring general reserves towards 4 months of revenue expenditure (£160k)
Earmarked reserves	The council has insufficient funds to consider any new projects within the next year. Earmarked reserves should always be for specific projects with defined values, time frames and reasons.	The council has undertaken several unbudgeted capital projects. Until reserves are replenished, day to day economies must be the priority
PWLB Loans	The council has 7 PWLB loans which currently amount to £284,387 (more than the precept) and are costing nearly £15,000 per year in interest alone.	NATC should budget and spend prudently at least until the solar panel and football club stand loans are repaid in 2020.
Wages	It is good practice to minute (confidentially) each year the total cost of wages by postholder, pay grade, pension cost etc.	This should be done as part of the budget setting and at the time that the RFO and clerk posts are permanently filled.
Fixed asset register	The finance officer has commenced a thorough review of the asset register which should be complete by the end of 2017/18	Officers should update the register each and every time an asset is purchased or disposed of.
Social Media	NATC has a Facebook page which is not under the control of the proper officer.	All social media should be managed from the office according to a published policy.
Councillor training	NATC has not been in the habit of requesting that Councillors are appropriately trained in Charing skills, Council finance legislation and roles and responsibilities.	All councillors should avail themselves of training opportunities to allow them to run meetings in a proper manner and improve the effectiveness of the council.
Audit reports	The council has been noting internal and external audit reports but there is no evidence of clear action plans.	All audit reports should be shown in original form to members. A specific action plan for every point raised should be clearly minuted and then revisited in six months to check progress.
Accounting Software	The council is current limited in its ability to produce timely and accurate budget comparison and forward planning financial documents by the narrow reporting facilities of the Sage system.	It may be worth the council converting to a system aimed at the Parish sector, such as Omega or Scribe or Edge. When the new clerk and RFO are in post they can make appropriate recommendations to members.

Bank reconciliation	It is good practice for the reconciled bank balance to be included in the signed minutes.	The Sage balance sheet should be included in the minutes along with the sage payments list each month.
ARC Bar	<p>The Council closed the ARC bar on 28th March, made the staff redundant and has sold the stock.</p> <p>Hired equipment is being returned to its owners. Those contents which belonged to former employees are being returned to them.</p> <p>The rooms are currently available to hire as non licensed premises.</p>	<p>The council needs to quantify what return it wants from the space and invite bids to run the bar on a flat fee basis with no officer involvement.</p> <p>See appendix below.</p>

Please find attached my invoice for the balance of the agreed fee being £625. If either you or your councillors have any queries, please do not hesitate to contact me.

Regards



Eleanor S Greene

ARC Bar : Summary of findings at date of closure.

The ARC bar has had a troubled history caused in part by a lack of management oversight and control. Decision makers within the council lacked the professional expertise and clear lines of command needed to ensure that the facility ran with good financial discipline.

Following previous elector queries, the external auditors looked at the issue and noted that the profit margins being achieved by the ARC bar were significantly below market averages.

According to the Caterer magazine, a small bar would be expected to achieve a net profit margin after rent of around 22.5%.

As per the BDO report issued on 6th February, the margin at comparable council run facilities is 50%

The ARC bar never achieved a net profit margin higher than 13% in the last four years.

The net contribution of the bar to the Council's funds over the last four years averaged £891 per month.

This "contribution" does not take account of the significant amount of officer time expended administering the accounts of the bar – which would normally have been the responsibility of the Bar Manager.

Once administration, loan interest and utility costs are allowed for, it is clear that the people in Alresford who do not use the ARC bar have been heavily subsidising the licenced premises for some years.

This is not acceptable and was the reason that the bar was closed.

If the bar is to re open, it should be on a strict tenancy basis – the council raises a bill to the tenant each month and has no further involvement in the licensed premises operation.

That way the people of the town will have a transparent and accountable relationship with the facility.

Summary of ARC accounts :

Heading / Year	31.03.14	31.03.15	31.03.16	31.03.17
Sales	158,686	171,791	194,409	177,598
Cost of Sales	70,154	71,342	79,767	71,108
Gross Profit	88,532	100,449	114,642	106,491
GP %age	56%	58%	59%	60%
Overheads	75,136	79,985	89,526	102,933
Net profit	13,395	20,463	25,117	3,558
NP %age	8%	12%	13%	2%
Redundancy costs				19,745
Net loss				(16,187)
Net loss % age				-9%